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SUBJECT: TAIWAN NEGLECTING CENTRAL AND EASTERN EUROPE

Classified By: AIT Director Douglas Paal; Reasons: 1.4 (B/D)

1. (C) Summary: Taiwan is neglecting Central and Eastern Europe in favor of traditional European Union (EU) members in the west. Despite substantial efforts by Central and Eastern European governments to promote ties with Taipei, Taiwan Ministry of Foreign Affairs (MOFA) officials told AIT that these nations have little influence in the EU and Taipei has no plans to significantly engage Central and Eastern Europe. Diplomats from new EU member countries in Taipei assert that Taiwan is making a significant strategic miscalculation and say that growing economic ties between Taipei and Central and Eastern Europe are primarily due to their own government's initiatives. Taiwan's relationship with new EU members has also been stymied by the Chen Shui-bian administration's independence rhetoric and eagerness to publicize Taipei's foreign policy victories for political gain, which has drawn the ire of Beijing. As a result, Taipei appears to have lost an opportunity to counter the PRC's growing influence in the EU as Central and Eastern European nations have distanced themselves from Taiwan in favor of Beijing. Taiwan's foreign policy towards Central and Eastern Europe is yet another example of Taipei's inability to formulate a viable strategy to counter the PRC and advance its own diplomatic standing around the globe. End summary.

MOFA Ignoring New EU Members

2. (C) MOFA officials are focusing their European foreign policy strategy on Western Europe on the grounds that Central and Eastern Europe have little influence in the EU. MOFA's Section Chief for Central and Eastern Europe, Patrick Chu, told AIT that Taipei is not devoting many resources to new EU members in the east because they have little power when compared to France and Germany. Chu assured AIT that Taiwan has many initiatives focused on Europe. He said there are five Taiwan friendship groups in the EU Parliament and Taipei annually invites about 300 legislators from Europe to visit Taiwan. However, when asked if any of these initiatives are specifically tailored towards Central or Eastern Europe, Chu said they were focused on Western Europe and hardly mentioned Central and Eastern Europe. Chu told AIT that Taiwan maintains some representatives offices in Central Europe, but that there are no plans to open new offices in Eastern Europe. He added that PRC pressure is increasing in Europe and now EU nations will not allow high-ranking Taiwan political officials to visit.

Central/Eastern Europe Taking the Initiative

3. (C) Central and Eastern European diplomats in Taipei assert that Taiwan has foolishly paid scant attention to the region. The Hungarian Trade Office's Chief Representative, Sandor Matyus, told AIT that Central Europe has been substantially more proactive than Taiwan in working to establish ties and argued that Taiwan needs to pay more attention to Central and Eastern Europe. Poland's Chief Representative, Tomasz Nowacki, echoed Matyus and said that Taipei has never offered much to Central and Eastern Europe. He said this is a serious mistake on Taiwan's part and he opined that Taipei overly relies on the U.S., which is, in his mind, a "poor" foreign policy. Slovakia's Economic and Cultural Office Representative, Jan Bratko, agreed with the other diplomats and told AIT that although his office only opened last year in Taipei, there is not yet any direct investment from Taiwan in Slovakia. He added that Central and Eastern European governments believe that they should be closer to Taipei, but that Taiwan is not engaging the region. Even MOFA's Chu said that Central and Eastern European countries are very proactive towards Taiwan and are sympathetic to Taiwan's emerging democracy and anti-Communist stance.

Also Hurt By Chen's Foreign Policy

4. (C) Central and Eastern Europe's desire for closer ties with Taiwan is also being hindered by the Chen administration's practice of publicizing Taipei's foreign

policy activity for domestic political gain. Hungary's Matyus told AIT that the Democratic Progressive Party's (DPP) practice of leaking information to the press has made a close relationship with Taipei difficult for Budapest. Matyus said in 2002 Vice President Annette Lu was permitted to visit Budapest for a conference on democracy as long as Taipei agreed to be discreet. However, Matyus said the Chen administration loudly publicized the visit as a victory for Taiwan, which caused many problems for Hungary. Matyus told AIT that Beijing protested and retaliated against Budapest. Matyus added that Budapest was burned by the DPP and that such a visit will not be permitted ever again. He said that Hungary wants more contact with Taiwan, but that this is not possible because the DPP will not be discreet in its foreign policy, which is necessary to avoid problems with the PRC.

15. (C) Poland's Nowacki agreed that dealing with Taiwan has become more difficult under the Chen administration. He said that the Chen administration too often uses Taipei's foreign policy for public relations. For example, Nowacki told AIT that previously under the KMT, Poland and Taiwan had unpublicized and discreet legislative and political exchanges. However, he lamented that such visits are virtually impossible now because they would be publicized in advance by the Chen administration and loudly touted as a political victory, which would draw protests from Beijing. Nowacki added that under the KMT, Taiwan's foreign policy was more pragmatic and realistic. Under the DPP, however, Taiwan's foreign policy methods are counterproductive and Chen's independence rhetoric is hurting Taiwan. Nowacki said that Taipei's lack of a pragmatic foreign policy makes it difficult to help Taiwan, not just in Europe, but throughout Asia. He said many of his colleagues say Taiwan is a trouble maker and privately admitted that Warsaw would offer more support to Taiwan if Taipei took a more moderate approach and paid more attention to Poland.

PRC Taking Advantage

16. (C) Beijing is capitalizing on Taiwan's decision to snub Central and Eastern Europe and the region's dissatisfaction with the Chen administration. Central and Eastern European governments are looking to the PRC for economic ties and political accords at Taiwan's expense. Hungary's Matyus told AIT that after the fiasco caused by Vice President Lu's visit in 2002, Budapest began looking to Beijing. He said Hungary and the PRC have exchanged official visits, and in 2004, Budapest and Beijing and signed a joint communiqué in which Hungary pledged not to have any official contact with Taiwan. Slovakia's Bratko argued that Taiwan's foolish European foreign policy has caused Central and Eastern Europe to look to Beijing because the PRC is paying more attention to the region than Taipei. He added that the value of Taiwan's commercial expertise, one of its most valuable bargaining chips, is declining. According to Poland's Nowacki, Taiwan should have taken advantage of Central Europe's sympathy to Taiwan and lamented that Taipei is doing everything not to survive.

Economic Ties Still Growing

17. (C) Despite Taipei's almost exclusive focus on the west, economic ties between Taiwan and the east are growing because of Central and Eastern Europe's efforts. Each of the European diplomats AIT met with agreed that their own government was the main driver in the economic relationship with Taiwan. According to Poland's Nowacki, Taipei exports to Poland last year totaled around \$250 million USD. For Hungary, trade is also growing and last year the total value of trade between Taiwan and Hungary was about \$400 million USD. Matyus said that Hungarian exports consist mostly of electronics and that Budapest is seeking Taiwanese Foreign Direct Investment (FDI). He said last year there was \$150-200 million USD of FDI in Hungary from Taiwan. While Slovakia's Bratko has had little success thus far luring Taiwanese FDI, he expects to spend much of his time in Taipei lobbying Taiwan businesses and encouraging investment. Bratko said that the high-tech industry is very important for Bratislava and the future of the Slovak economy.

Czech Republic Lone Bright Spot

18. (C) Taipei's relationship with the Czech Republic is the lone bright spot for Taiwan in Europe. According to Michal Kral, the representative from the Czech Republic's Economic and Cultural Office in Taipei, however, the strength of the relationship is primarily due to Prague's efforts to engage Taiwan and encourage close ties. Kral told AIT that after the fall of communism, Prague believed that Taiwan's economy was complementary to the Czech Republic and Prague adopted a very focused campaign to improve ties. As a result, Taiwan invested a significant amount in the Czech Republic and remains one of the largest foreign investors in the country.

Kral told AIT that the eighth largest company in the Czech Republic is Taiwanese (Hon Hai Precision) and that Prague is looking to Taiwan for high-technology cooperation since 40 percent of the computers in Europe are produced in the Czech Republic.

19. (C) Kral told AIT that although Prague has a consistent One-China policy, his government also wants a balanced policy towards Taipei. Kral said the Czech Republic understands that the PRC is a global power, but does not believe Beijing deserves special treatment. Kral added that Prague does not wish to be dictated to by China and in June 2003, the Czech Republic allowed MOFA to hold its European regional conference in Prague. Other European nations had denied Taipei's request, but Kral said that Prague believed this was not a political issue despite PRC protests. However, he said there are limits to the relationship, pointing to former Czech President Havel's refusal to allow President Chen to visit Prague while Havel was President because of the consequences from the PRC.

Comment: A Lost Opportunity

10. (C) Why Taipei continues to emphasize Western Europe over nations in Central and Eastern Europe is a mystery. Logically, Taipei should seek allies among the new democracies in Central and Eastern Europe rather than focusing its resources lobbying unsympathetic nations like France and Germany in the west. Central and Eastern Europe clearly want to engage Taipei economically because of Taiwan's high-tech expertise and FDI potential. The region, moreover, is already politically sympathetic to Taiwan because of its shared experiences with anti-Communism and democratization.

11. (C) Yet the Chen administration appears to have alienated many governments in Central and Eastern Europe, leaving Beijing opportunities to make inroads in a region where its political system and foreign policy orientation might have otherwise reduced its potential influence. Once again, as Taipei ignores Central and Eastern Europe, Taiwan is demonstrating that it lacks a foreign policy strategy to counter Beijing, which is particularly unwise as the decision to lift the EU arms embargo against the PRC draws near.

PAAL